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*It's true China is booming, Russia is growing more assertive, terrorism is a threat. But if America is losing the ability to dictate to this new world, it has not lost the ability to lead.*

Americans are glum at the moment. No, I mean really glum. In April, a new poll revealed that 81% of the American people believe that the country is on the “wrong track.” In the 25 years that pollsters have asked this question, last month’s response was by far the most negative. Other polls, asking similar questions, found levels of gloom that were even more alarming, often at 30- and 40-year highs. There are reasons to be pessimistic—a financial panic and looming recession, a seemingly endless war in Iraq, and the ongoing threat of terrorism. But the facts on the ground—unemployment numbers, foreclosure rates, deaths from terror attacks—are simply not dire enough to explain the present atmosphere of malaise.

American anxiety springs from something much deeper, a sense that large and disruptive forces are coursing through the world. In almost every industry, in every aspect of life, it feels like the patterns of the past are being scrambled. “Whirl is king, having driven out Zeus,” wrote Aristophanes 2,400 years ago. And—for the first time in living memory—the United States does not seem to be leading the charge. Americans see that a new world is coming into being, but fear it is one being shaped in distant lands and by foreign people.

Look around. The world’s tallest building is in Taipei, and will soon be in Dubai. Its largest publicly traded company is in Beijing. Its biggest refinery is being constructed in India. Its largest passenger airplane is built in Europe. The largest investment fund on the planet is in Abu Dhabi; the biggest movie industry is Bollywood, not Hollywood. Once quintessentially American icons have been usurped by the natives. The largest Ferris wheel is in Singapore. The largest casino is in Macao, which overtook Las Vegas in gambling

revenues last year. America no longer dominates even its favorite sport, shopping. The Mall of America in Minnesota once boasted that it was the largest shopping mall in the world. Today it wouldn’t make the top ten. In the most recent rankings, only two of the world’s ten richest people are American. These lists are arbitrary and a bit silly, but consider that only ten years ago, the United States would have serenely topped almost every one of these categories.

These factoids reflect a seismic shift in power and attitudes. It is one that I sense when I travel around the world. In America, we are still debating the nature and extent of anti-Americanism. One side says that the problem is real and worrying and that we must woo the world back. The other says this is the inevitable price of power and that many of these countries are envious—and vaguely French—so we can safely ignore their griping. But while we argue over why they hate us, “they” have moved on, and are now far more interested in other, more dynamic parts of the globe. The world has shifted from anti-Americanism to post-Americanism.

## **I. The End of Pax Americana**

During the 1980s, when I would visit India—where I grew up—most Indians were fascinated by the United States. Their interest, I have to confess, was not in the important power players in Washington or the great intellectuals in Cambridge.

People would often ask me about Donald Trump. He was the very symbol of the United States—brassy, rich, and modern. He symbolized the feeling that if you wanted to find the biggest and largest anything, you had to look to America. Today, outside of entertainment figures, there is

no comparable interest in American personalities. If you wonder why, read India's newspapers or watch its television. There are dozens of Indian businessmen who are now wealthier than the Donald. Indians are obsessed by their own vulgar real estate billionaires. And that newfound interest in their own story is being replicated across much of the world.

How much? Well, consider this fact. In 2006 and 2007, 124 countries grew their economies at over 4% a year. That includes more than 30 countries in Africa. Over the last two decades, lands outside the industrialized West have been growing at rates that were once unthinkable. While there have been booms and busts, the overall trend has been unambiguously upward. Antoine van Agtmael, the fund manager who coined the term "emerging markets," has identified the 25 companies most likely to be the world's next great multinationals. His list includes four companies each from Brazil, Mexico, South Korea, and Taiwan; three from India, two from China, and one each from Argentina, Chile, Malaysia, and South Africa. This is something much broader than the much-ballyhooed rise of China or even Asia. It is the rise of the rest—the rest of the world.

We are living through the third great power shift in modern history. The first was the rise of the Western world, around the 15<sup>th</sup> century. It produced the world as we know it now—science and technology, commerce and capitalism, the industrial and agricultural revolutions. It also led to the prolonged political dominance of the nations of the Western world. The second shift, which took place in the closing years of the 19<sup>th</sup> century, was the rise of the United States. Once it industrialized, it soon became the most powerful nation in the world, stronger than any likely combination of other nations. For the last 20 years, America's superpower status in every realm has been largely unchallenged—something that's never happened before in history, at least since the Roman Empire dominated the known world 2,000 years ago. During this Pax Americana, the global economy has accelerated dramatically. And that expansion

is the driver behind the third great power shift of the modern age—the rise of the rest.

At the military and political level, we still live in a unipolar world. But along every other dimension—industrial, financial, social, cultural—the distribution of power is shifting, moving away from American dominance. In terms of war and peace, economics and business, ideas and art, this will produce a landscape that is quite different from the one we have lived in until now—one defined and directed from many places and by many peoples.

The post-American world is naturally an unsettling prospect for Americans, but it should not be. This will not be a world defined by the decline of America but rather the rise of everyone else. It is the result of a series of positive trends that have been progressing over the last 20 years, trends that have created an international climate of unprecedented peace and prosperity.

I know. That's not the world that people perceive. We are told that we live in dark, dangerous times. Terrorism, rogue states, nuclear proliferation, financial panics, recession, outsourcing, and illegal immigrants all loom large in the national discourse. Al Qaeda, Iran, North Korea, China, Russia are all threats in some way or another. But just how violent is today's world, really?

A team of scholars at the University of Maryland has been tracking deaths caused by organized violence. Their data show that wars of all kinds have been declining since the mid-1980s and that we are now at the lowest levels of global violence since the 1950s. Deaths from terrorism are reported to have risen in recent years. But on closer examination, 80% of those casualties come from Afghanistan and Iraq, which are really war zones with ongoing insurgencies—and the overall numbers remain small. Looking at the evidence, Harvard's polymath professor Steven Pinker has ventured to speculate that we are probably living "in the most peaceful time of our species' existence."

Why does it not feel that way? Why do we think we live in scary times? Part of the problem is that

as violence has been ebbing, information has been exploding. The last 20 years have produced an information revolution that brings us news and, most crucially, images from around the world all the time. The immediacy of the images and the intensity of the 24-hour news cycle combine to produce constant hype. Every weather disturbance is the “storm of the decade.” Every bomb that explodes is **BREAKING NEWS**. Because the information revolution is so new, we—reporters, writers, readers, viewers—are all just now figuring out how to put everything in context.

We didn’t watch daily footage of the two million people who died in Indochina in the 1970s, or the million who perished in the sands of the Iran-Iraq war ten years later. We saw little of the civil war in the Congo in the 1990s, where millions died. But today any bomb that goes off, any rocket that is fired, any death that results, is documented by someone, somewhere and ricochets instantly across the world. Add to this terrorist attacks, which are random and brutal. “That could have been me,” you think. Actually, your chances of being killed in a terrorist attack are tiny—for an American, smaller than drowning in your bathtub. But it doesn’t feel like that.

The threats we face are real. Islamic jihadists are a nasty bunch—they do want to attack civilians everywhere. But it is increasingly clear that militants and suicide bombers make up a tiny portion of the world’s 1.3 billion Muslims. They can do real damage, especially if they get their hands on nuclear weapons. But the combined efforts of the world’s governments have effectively put them on the run and continue to track them and their money. Jihad persists, but the jihadists have had to scatter, work in small local cells, and use simple and undetectable weapons. They have not been able to hit big, symbolic targets, especially ones involving Americans. So they blow up bombs in cafés, marketplaces, and subway stations. The problem is that in doing so, they kill locals and alienate ordinary Muslims. Look at the polls. Support for violence of any kind has dropped dramatically over the last five years in all Muslim countries.

Militant groups have reconstituted in certain areas where they exploit a particular local issue or have support from a local ethnic group or sect, most worryingly in Pakistan and Afghanistan where Islamic radicalism has become associated with Pashtun identity politics. But as a result, these groups are becoming more local and less global. Al Qaeda in Iraq, for example, has turned into a group that is more anti-Shiite than anti-American. The bottom line is this: since 9/11, Al Qaeda Central, the gang run by Osama bin Laden, has not been able to launch a single major terror attack in the West or any Arab country—its original targets. They used to do terrorism, now they make videotapes. Of course one day they will get lucky again, but that they have been stymied for almost seven years points out that in this battle between governments and terror groups, the former need not despair.

Some point to the dangers posed by countries like Iran. These rogue states present real problems, but look at them in context. The American economy is 68 times the size of Iran’s. Its military budget is 110 times that of the mullahs. Were Iran to attain a nuclear capacity, it would complicate the geopolitics of the Middle East. But none of the problems we face compare with the dangers posed by a rising Germany in the first half of the 20<sup>th</sup> century or an expansionist Soviet Union in the second half. Those were great global powers bent on world domination. If this is 1938, as some neoconservatives tell us, then Iran is Romania, not Germany.

Others paint a dark picture of a world in which dictators are on the march. China and Russia and assorted other oil potentates are surging. We must draw the battle lines now, they warn, and engage in a great Manichean struggle that will define the next century. Some of John McCain’s rhetoric has suggested that he adheres to this dire, dyspeptic view. But before we all sign on for a new Cold War, let’s take a deep breath and gain some perspective. Today’s rising great powers are relatively benign by historical measure. In the past, when countries grew rich they’ve wanted to become great military powers, overturn the exist-

ing order, and create their own empires or spheres of influence. But since the rise of Japan and Germany in the 1960s and 1970s, none have done this, choosing instead to get rich within the existing international order. China and India are clearly moving in this direction. Even Russia, the most aggressive and revanchist great power today, has done little that compares with past aggressors. The fact that for the first time in history, the United States can contest Russian influence in Ukraine—a country 4,800 miles away from Washington that Russia has dominated or ruled for 350 years—tells us something about the balance of power between the West and Russia.

Compare Russia and China with where they were 35 years ago. At the time both (particularly Russia) were great power threats, actively conspiring against the United States, arming guerrilla movement across the globe, funding insurgencies and civil wars, blocking every American plan in the United Nations. Now they are more integrated into the global economy and society than at any point in at least 100 years. They occupy an uncomfortable gray zone, neither friends nor foes, cooperating with the United States and the West on some issues, obstructing others. But how large is their potential for trouble? Russia's military spending is \$35 billion, or 1/20<sup>th</sup> of the Pentagon's. China has about 20 nuclear missiles that can reach the United States. We have 830 missiles, most with multiple warheads, that can reach China. Who should be worried about whom? Other rising autocracies like Saudi Arabia and the Gulf states are close U.S. allies that shelter under America's military protection, buy its weapons, invest in its companies, and follow many of its diktats. With Iran's ambitions growing in the region, these countries are likely to become even closer allies, unless America gratuitously alienates them.

## **II. The Good News**

In July 2006, I spoke with a senior member of the Israeli government, a few days after Israel's war with Hezbollah had ended. He was genuinely worried about his country's physical security. Hezbollah's rockets had reached farther into

Israel than people had believed possible. The military response had clearly been ineffectual: Hezbollah launched as many rockets on the last day of the war as on the first. Then I asked him about the economy—the area in which he worked. His response was striking. “That’s puzzled all of us,” he said. “The stock market was higher on the last day of the war than on the first! The same with the shekel.” The government was spooked, but the market wasn’t.

Or consider the Iraq War, which has produced deep, lasting chaos and dysfunction in that country. Over two million refugees have crowded into neighboring lands. That would seem to be the kind of political crisis guaranteed to spill over. But as I’ve traveled in the Middle East over the last few years, I’ve been struck by how little Iraq’s troubles have destabilized the region. Everywhere you go, people angrily denounce American foreign policy. But most Middle Eastern countries are booming. Iraq’s neighbors—Turkey, Jordan, and Saudi Arabia—are enjoying unprecedented prosperity. The Gulf states are busy modernizing their economies and societies, asking the Louvre, New York University, and Cornell Medical School to set up remote branches in the desert. There’s little evidence of chaos, instability, and rampant Islamic fundamentalism.

The underlying reality across the globe is of enormous vitality. For the first time ever, most countries around the world are practicing sensible economics. Consider inflation. Over the past 20 years hyperinflation, a problem that used to bedevil large swaths of the world from Turkey to Brazil to Indonesia, has largely vanished, tamed by successful fiscal and monetary policies. The results are clear and stunning. The share of people living on \$1 a day has plummeted from 40% in 1981 to 18% in 2004 and is estimated to drop to 12% by 2015. Poverty is falling in countries that house 80% of the world’s population. There remains real poverty in the world—most worryingly in 50 basket-case countries that contain 1 billion people—but the overall trend has never been more encouraging. The global economy has more than doubled in size over the last

15 years and is now approaching \$54 trillion! Global trade has grown by 133% in the same period. The expansion of the global economic pie has been so large, with so many countries participating, that it has become the dominating force of the current era. Wars, terrorism, and civil strife cause disruptions temporarily but eventually they are overwhelmed by the waves of globalization. These circumstances may not last, but it is worth understanding what the world has looked like for the past few decades.

### III. A New Nationalism

Of course, global growth is also responsible for some of the biggest problems in the world right now. It has produced tons of money—what businesspeople call liquidity—that moves around the world. The combination of low inflation and lots of cash has meant low interest rates, which in turn have made people act greedily and/or stupidly. So we have witnessed over the last two decades a series of bubbles in East Asian countries, technology stocks, housing, subprime mortgages, and emerging market equities. Growth also explains one of the signature events of our times—soaring commodity prices. \$100 oil is just the tip of the barrel. Almost all commodities are at 200-year highs. Food, only a few decades ago in danger of price collapse, is now in the midst of a scary rise. None of this is due to dramatic fall-offs in supply. It is demand, growing global demand, that is fueling these prices. The effect of more and more people eating, drinking, washing, driving, and consuming will have seismic effects on the global system. These may be high-quality problems, but they are deep problems nonetheless.

The most immediate effect of global growth is the appearance of new economic powerhouses on the scene. It is an accident of history that for the last several centuries, the richest countries in the world have all been very small in terms of population. Denmark has 5.5 million people, the Netherlands has 16.6 million. The United States is the biggest of the bunch and has dominated the advanced industrial world. But the real giants—China, India, Brazil—have been sleeping, unable or unwilling to join the world of functioning

economies. Now they are on the move and naturally, given their size, they will have a large footprint on the map of the future. Even if people in these countries remain relatively poor, as nations their total wealth will be massive. Or to put it another way, any number, no matter how small, when multiplied by 2.5 billion becomes a very big number. (2.5 billion is the population of China plus India.)

The rise of China and India is really just the most obvious manifestation of a rising world. In dozens of big countries, one can see the same set of forces at work—a growing economy, a resurgent society, a vibrant culture, and a rising sense of national pride. That pride can morph into something uglier. For me, this was vividly illustrated a few years ago when I was chatting with a young Chinese executive in an Internet café in Shanghai. He wore Western clothes, spoke fluent English, and was immersed in global pop culture. He was a product of globalization and spoke its language of bridge building and cosmopolitan values. At least, he did so until we began talking about Taiwan, Japan, and even the United States. (We did not discuss Tibet, but I'm sure had we done so, I could have added it to this list.) His responses were filled with passion, bellicosity, and intolerance. I felt as if I were in Germany in 1910, speaking to a young German professional, who would have been equally modern and yet also a staunch nationalist.

As economic fortunes rise, so inevitably does nationalism. Imagine that your country has been poor and marginal for centuries. Finally, things turn around and it becomes a symbol of economic progress and success. You would be proud, and anxious that your people win recognition and respect throughout the world.

In many countries such nationalism arises from a pent-up frustration over having to accept an entirely Western, or American, narrative of world history—one in which they are miscast or remain bit players. Russians have long chafed over the manner in which Western countries remember World War II. The American narrative is one in which the United States and Britain heroically

defeat the forces of fascism. The Normandy landings are the climactic highpoint of the war—the beginning of the end. The Russians point out, however, that in fact the entire Western front was a sideshow. Three quarters of all German forces were engaged on the Eastern front fighting Russian troops, and Germany suffered 70% of its casualties there. The Eastern front involved more land combat than all other theaters of World War II put together.

Such divergent national perspectives always existed. But today, thanks to the information revolution, they are amplified, echoed, and disseminated. Where once there were only the narratives laid out by *The New York Times*, *Time*, *Newsweek*, the BBC, and CNN, there are now dozens of indigenous networks and channels—from Al Jazeera to New Delhi's NDTV to Latin America's Telesur. The result is that the “rest” are now dissecting the assumptions and narratives of the West and providing alternative views. A young Chinese diplomat told me in 2006, “When you tell us that we support a dictatorship in Sudan to have access to its oil, what I want to say is, ‘And how is that different from your support of a medieval monarchy in Saudi Arabia?’ We see the hypocrisy, we just don’t say anything—yet.”

The fact that newly rising nations are more strongly asserting their ideas and interests is inevitable in a post-American world. This raises a conundrum—how to get a world of many actors to work together. The traditional mechanisms of international cooperation are fraying. The U.N. Security Council has as its permanent members the victors of a war that ended more than 60 years ago. The G8 does not include China, India or Brazil—the three fastest-growing large economies in the world—and yet claims to represent the movers and shakers of the world economy. By tradition, the IMF is always headed by a European and the World Bank by an American. This “tradition,” like the segregated customs of an old country club, might be charming to an insider. But to the majority who live outside the West, it seems bigoted. Our challenge is this: Whether the problem is a trade dispute or a human rights

tragedy like Darfur or climate change, the only solutions that will work are those involving many nations. But arriving at solutions when more countries and more non-governmental players are feeling empowered will be harder than ever.

#### **IV. The Next American Century**

Many look at the vitality of this emerging world and conclude that the United States has had its day. “Globalization is striking back,” Gabor Steingart, an editor at Germany’s leading news magazine, *Der Spiegel*, writes in a best-selling book. As others prosper, he argues, the United States has lost key industries, its people have stopped saving money, and its government has become increasingly indebted to Asian central banks. The current financial crisis has only given greater force to such fears.

But take a step back. Over the last 20 years, globalization has been gaining depth and breadth. America has benefited massively from these trends. It has enjoyed unusually robust growth, low unemployment and inflation, and received hundreds of billions of dollars in investment. These are not signs of economic collapse. Its companies have entered new countries and industries with great success, using global supply chains and technology to stay in the vanguard of efficiency. U.S. exports and manufacturing have actually held their ground and services have boomed.

The United States is currently ranked as the globe’s most competitive economy by the World Economic Forum. It remains dominant in many industries of the future like nanotechnology, biotechnology, and dozens of smaller high-tech fields. Its universities are the finest in the world, making up 8 of the top ten and 37 of the top fifty, according to a prominent ranking produced by Shanghai Jiao Tong University. A few years ago the National Science Foundation put out a scary and much-discussed statistic. In 2004, the group said, 950,000 engineers graduated from China and India, while only 70,000 graduated from the United States. But those numbers are wildly off the mark. If you exclude the car mechanics and

repairmen—who are all counted as engineers in Chinese and Indian statistics—the numbers look quite different. Per capita, it turns out, the United States trains more engineers than either of the Asian giants.

But America's hidden secret is that most of these engineers are immigrants. Foreign students and immigrants account for almost 50% of all science researchers in the country. In 2006 they received 40% of all PhDs. By 2010, 75% of all science PhDs in this country will be awarded to foreign students. When these graduates settle in the country, they create economic opportunity. Half of all Silicon Valley start-ups have one founder who is an immigrant or first generation American. The potential for a new burst of American productivity depends not on our education system or R&D spending, but on our immigration policies. If these people are allowed and encouraged to stay, then innovation will happen here. If they leave, they'll take it with them.

More broadly, this is America's great—and potentially insurmountable—strength. It remains the most open, flexible society in the world, able to absorb other people, cultures, ideas, goods, and services. The country thrives on the hunger and energy of poor immigrants. Faced with the new technologies of foreign companies, or growing markets overseas, it adapts and adjusts. When you compare this dynamism with the closed and hierarchical nations that were once superpowers, you sense that the United States is different and may not fall into the trap of becoming rich, and fat, and lazy.

American society can adapt to this new world. But can the American government? Washington has gotten used to a world in which all roads led to its doorstep. America has rarely had to worry about benchmarking to the rest of the world—it was always so far ahead. But the natives have gotten good at capitalism and the gap is narrowing. Look at the rise of London. It's now the world's leading financial center—less because of things that the United States did badly than those London did well, like improving regulation and becoming friendlier to foreign capital. Or take the

U.S. health care system, which has become a huge liability for American companies. U.S. carmakers now employ more people in Ontario, Canada, than Michigan because in Canada their health care costs are lower. Twenty years ago, the United States had the lowest corporate taxes in the world. Today they are the second-highest. It's not that ours went up. Those of others went down.

American parochialism is particularly evident in foreign policy. Economically, as other countries grow, for the most part the pie expands and everyone wins. But geopolitics is a struggle for influence: as other nations become more active internationally, they will seek greater freedom of action. This necessarily means that America's unimpeded influence will decline. But if the world that's being created has more power centers, nearly all are invested in order, stability and progress. Rather than narrowly obsessing about our own short-term interests and interest groups, our chief priority should be to bring these rising forces into the global system, to integrate them so that they in turn broaden and deepen global economic, political, and cultural ties. If China, India, Russia, Brazil all feel that they have a stake in the existing global order, there will be less danger of war, depression, panics, and breakdowns. There will be lots of problems, crisis, and tensions, but they will occur against a backdrop of systemic stability. This benefits them but also us. It's the ultimate win-win.

To bring others into this world, the United States needs to make its own commitment to the system clear. So far, America has been able to have it both ways. It is the global rule-maker but doesn't always play by the rules. And forget about standards created by others. Only three countries in the world don't use the metric system—Liberia, Myanmar, and the United States. For America to continue to lead the world, we will have to first join it.

Americans—particularly the American government—have not really understood the rise of the rest. This is one of the most thrilling stories in history. Billions of people are escaping from abject poverty. The world will be enriched and

ennobled as they become consumers, producers, inventors, thinkers, dreamers, and doers. This is all happening because of American ideas and actions. For 60 years, the United States has pushed countries to open their markets, free up their politics, and embrace trade and technology. American diplomats, businessmen, and intellectuals have urged people in distant lands to be unafraid of change, to join the advanced world, to learn the secrets of our success. Yet just as they are beginning to do so, we are losing faith in such

ideas. We have become suspicious of trade, openness, immigration, and investment because now it's not Americans going abroad but foreigners coming to America. Just as the world is opening up, we are closing down.

Generations from now, when historians write about these times, they might note that by the turn of the 21<sup>st</sup> century, the United States had succeeded in its great, historical mission—globalizing the world. We don't want them to write that along the way, we forgot to globalize ourselves.